

Icahn, Dish, debtholders vie for Blockbuster

April 5 2011, By MAE ANDERSON , AP Retail Writer

(AP) -- Billionaire investor Carl Icahn, Dish Network and a group of debtholders are the three remaining bidders for movie-rental chain Blockbuster in an auction Tuesday at U.S. Bankruptcy Court in New York.

The bankruptcy auction will decide the fate of the Dallas movie-rental chain and could decide whether it will survive at all. The auction process was still going on as of 5:45 p.m. ET.

After several rounds of bidding, the last bid by the group of debt holders called Cobalt Video Holdco, of \$308.1 million was deemed the best when the courthouse closed. The auction was set to continue at law firm Cadwalader Wickersham & Taft where the proceeding was closed to the public. It was expected to go far into the evening.

Another bidder, SK Telecom, dropped out after two rounds of bids. An expected joint bid by two liquidation firms, Gordon Brothers Group and Hilco Merchant Resources, did not materialize.

Though the bidding took place in open court, the process was hardly action-packed. Lawyers, bidders and others took extended breaks over the day to revise their bids and negotiate. Icahn himself made an appearance in court at midday.

The successful buyer or buyers could continue to operate the chain in full or part or liquidate the company, pressing "stop" on the stores that brought movie night to millions of families.

Blockbuster is already a shadow of its former self. When Blockbuster, based in Dallas, filed for bankruptcy protection, it was down to 3,000 stores, less than a third of the peak of 9,100 in 2004. There are about 2,400 currently open with plans to close about 700 more by mid-April.

Blockbuster used to dominate the U.S. movie rental business. But it lost money for years as that business declined because customers shifted to Netflix Inc., video on demand and DVD rental kiosks.

Icahn was part of the group of debtholders that provided Blockbuster financing to operate while in bankruptcy in September. Everyone in the group except for Icahn made the initial "stalking horse" bid in February to buy Blockbuster for \$290 million. That group, called Cobalt Video Holdco LLC, includes funds managed by Monarch Alternative Capital LP, Owl Creek Asset Management LP, Stonehill Capital Management LLC and Varde Partners Inc.

The auction is expected to be complete before a sale approval hearing scheduled for Thursday.

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